

**THE DETERMINANT OF CAPITAL STRUCTURE UNDER
PROPERTIES AND PLANTATION SECTORS IN
MALAYSIA**

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**THE DETERMINANT OF CAPITAL STRUCTURE UNDER
PROPERTIES AND PLANTATION SECTORS IN
MALAYSIA**

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in partial fulfillment of the requirements for the degree
Master of Science (Finance)
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by

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ABSTRAK

Kajian ini memeriksa penentuan kepada struktur kapital syarikat yang disenaraikan di Bursa Malaysia di bawah sektor hartanah dan perladangan dalam jangka masa lima tahun daripada 2004 sehingga 2008. Data diambil daripada penyata kewangan syarikat dengan jumlah pemerhatian sebanyak 340. Pembolehubah tidak bersandar ialah kadar hutang yang ditunjukkan melalui jumlah hutang dibahagi jumlah aset, sementara pemboleh ubah bersandar adalah saiz syarikat, struktur aset, keuntungan, pertumbuhan, kecairan, pulangan pelaburan dan aset kerja bersih. Mengaplikasikan “cross-sectional time-series analysis”, keputusan menunjukkan dalam sektor hartanah, struktur aset dan keuntungan adalah signifikan positif dengan jumlah hutang. Walaubagaimanapun, pulangan pelaburan dan aset kerja bersih adalah signifikan negatif dengan jumlah hutang. Dalam sektor perladangan, saiz syarikat dan keuntungan adalah signifikan positif dengan hutang. Sementara, kecairan, pulangan pelaburan dan aset kerja bersih adalah signifikan negatif dengan hutang. Walaubagaimanapun, saiz syarikat, pertumbuhan dan kecairan adalah tidak signifikan dalam sektor hartanah. Dalam sektor perladangan dua pembolehubah, struktur aset dan pertumbuhan adalah tidak signifikan dengan hutang.

ABSTRACT

This study examines the determinants of capital structure of listed companies in the Bursa Malaysia under plantation and properties sectors during the five year period from 2004 to 2008. The data derive from companies' financial statements with 340 numbers of observations. The dependent variable is debt ratio as expressed by total debt divided by total assets while the independent variables are firm size, asset structure, profitability, growth, liquidity, return on investment and net working asset. Applying cross-sectional time-series analysis, the result shows that in the properties sector, asset structure and profitability are significantly positively related to total debt. However, return on investment and net working assets are significantly negatively related to total debt. In plantation sector, firm size and profitability are positively significantly related to debt. While liquidity, return on investment and net working assets are significantly negatively related to debt. However, firm size, growth and liquidity are insignificant in properties sector. In plantation sector two variables, asset structure and growth are insignificant related to debt.

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CHAPTER ONE

INTRODUCTION

This chapter provides an overview of the research agenda. The discussion begins with some background of the capital structure studies, problem statement, objectives of the study, research questions, significance of the study, scope of the study and finally, the organization of the study.

1.1 Background of the Study

According to Shah and Khan (2007), the capital structure decision is a centre of many other corporate finance decisions, including dividend policy, project financing, issues of long term securities, financing of mergers, buyout and more. The capital structure of a company is actually a mix of debt and equity used by a firm in financing its assets. There are several alternatives that can be used by company such as arrange lease financing, use warrants, issue convertible bonds, sign forward contracts or trade bond swaps. As such, the company can choose whether to use a large amount of debt or very little debt based on their preference and needs. These alternatives are available and enable the company to structure their capital structure and maximize their market value. The ultimate goal of the companies is to maximize returns that sometimes are not easy to choose of which is the best alternatives that will give a better return. Therefore, to make good decisions on the capital structure is considered vital to the company.

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